

Medicare Prescription Drug, Improvement, and Modernization Act of 2003
COMPARATIVE COST ADJUSTMENT PROGRAM
Section 241

Background

- In order to test whether direct competition between private plans and the original Medicare fee-for-service program will enhance competition in Medicare, improve health care delivery for all Medicare beneficiaries, and provide for greater beneficiary savings and reduction in government costs, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) establishes a comparative cost adjustment (CCA) program that will begin in 2010 in selected areas.

Overview

- In general, this program will create an alternative benchmark that will be used as the basis of payment for local Medicare Advantage (MA) plans in CCA areas. This benchmark will also be used to calculate a reduced or increased Part B premium for certain beneficiaries in CCA areas who choose the Medicare fee-for-service (FFS) program. Beneficiaries enrolling in higher-cost options, whether private plans or the FFS program, will have to pay the increased premium stemming from the choice they make.

Site Selection

- The CCA program will be implemented in up to 6 Metropolitan Statistical Areas (MSAs) for 6 years. The Secretary will select from eligible MSAs that have at least 2 local Medicare Advantage plans with at least 25% of area Medicare beneficiaries enrolled in such plans. (Beneficiaries in counties within a triggered MSA that lack at least 2 private plans would not be affected).
- Criteria for designating sites include requirements that at least one site will be from the largest 4 eligible MSAs (defined by total MA eligibles) and at least one site from the 4 eligible sites with the lowest population density. Preference will be given to areas that are not in a PPO demonstration at the time of enactment of the Act.

Medicare Payments to Plans

- The benchmark in CCA areas will be calculated using a formula that weights a fee-for-service (FFS) portion (based on the greater of the national or the local enrollment percentage) and a local plan portion (based on 1.0 minus the FFS percentage). The portion for FFS beneficiaries is based on a projected fee-for-service amount for the area (with adjustments, including an adjustment for the demographics and health status of the FFS beneficiaries to reflect the average costs for a typical beneficiary in the CCA area). The local plan portion is based on the weighted average of bids for

plans in the area (with adjustments for plan service area and CCA area differences and the distribution of plan enrollees).

Beneficiary Premiums

- Part B premiums for beneficiaries in CCA areas with incomes and assets above a specified level who choose the FFS program will be adjusted, based on whether the FFS amount is more or less than the CCA benchmark amount.
 - If the FFS amount is more than the benchmark, the Part B premium will be increased by 100% of the difference, subject to the 5% limit described below.
 - If the FFS amount is less than the benchmark, the Part B premium will be reduced by 75% of the difference, also subject to the 5% limit described below.
 - Any reduction or increase in the Part B premium for beneficiaries in FFS Medicare as a result of the CCA program cannot exceed 5% of the national Part B premium.
 - Beneficiaries with incomes below 150% of poverty who qualify for low-income subsidies under the Medicare prescription drug program will not have their Part B premium change as a result of the CCA program.

Other Provisions

- For the MA local plans in the CCA program area, the CCA benchmark will be used rather than the benchmark otherwise applicable for these plans. It is phased-in over a 4-year period.
- The CCA program does not change the entitlement to defined benefits for all beneficiaries.
- Upon completion of the program, the Secretary will report to the Congress on the financial impact of the CCA program, beneficiary satisfaction, changes in access to physicians and other health care providers, and recommendations regarding extension or expansion of the CCA program.